SNLEnergy
ELECTRIC TRANSMISSION WEEK™
Volume 5 Issue 29 **Monday, July 17, 2006**

In-city capacity requirement could help New York City weather transmission outages, New York ISO says

by Kathleen Hart

The New York ISO rule that requires Consolidated Edison Co. of New York Inc., the utility that serves New York City, to fulfill 80% of its installed capacity requirements with generation sources located in the city will help ensure that the utility will be able to provide sufficient electricity to meet its customers' needs, despite the failure in recent weeks of two of four major transmission lines, ISO officials said.

However, an extended period of high temperatures and high humidity on weekdays could still pose problems until the lines come back into service, ISO and FERC officials cautioned.

"I can't stress enough the in-city requirement. This is why we have it, so there's enough generation to satisfy its own load," ISO spokesman Ken Klapp said July 13. Ordinarily, the city is importing power "mainly for economic reasons," he said. On peak demand days, the city relies on more of its own generation, which consists primarily of gas-fired and oil-fired units.

The problem now facing New York City until mid-August arose when a 345-kV underground cable that runs from the Dunwoodie substation in Westchester County, N.Y., to the Rainey substation in Queens failed on June 24, Klapp said. Four days later, on June 28, there was a fault in a second 345-kV

Continued on p 9

In this Issue

Click on headline to advance story

Wyoming Infrastructure Authority sees state as major future transmission hub

by Jeff Stanfield

The Wyoming Infrastructure Authority has identified major transmission routes across the state in an effort to catapult Wyoming into the role of a major electricity supplier for the West.

The authority, created in 2004 by the Wyoming Legislature with a mission to diversify and expand the state's economy through transmission improvements, presented plans for the corridors at the Governor's Corridor Summit July 6 in Casper, Wyo. The corridors already exist, but can be strategically expanded to develop coal-fired and wind generation in Wyoming to meet the energy needs of the West, the authority's executive director, Steve Waddington, said on July 12.

A map presented by the authority shows Wyoming as a central hub for development of transmission superhighways across the West.

"That is our vision. If all this transmission would be developed over 20 years, we would become much more of an energy hub for meeting power supply needs around the west," Waddington said.

Continued on p 7

Transmission congestion deemed a potential risk to competitive markets in Illinois

by Steve Muller

With a view toward the completion of the transition to a competitive electricity market at the beginning of 2007, the Illinois Commerce Commission funded a study to assess whether the transmission system in the state and surrounding region would be able to support a competitive electric market in Illinois.

The study specifically examined whether the transmission system could accommodate competition by allowing the cheapest power to be brought to where it was needed to meet loads or whether, conversely, generators would be able to exercise market power.

The report, "Evaluating the Potential Impact of Transmission Constraints on the Operation of a Competitive Electricity Market in Illinois," was prepared by the University of Illinois at Urbana-Champaign and Argonne National Laboratory. The university did load flow analysis and Argonne modeled market behavior.

"There is a concentration in the generation market and evidence of transmission congestion, at least during high load periods," the report concluded. "This will give rise to the ability of some companies to unilaterally raise prices and increase their profits. Consumer costs will increase, in some cases substantially. However, the situations under which this can be done are limited to a number of conditions, especially high load periods."

The study was initiated in July 2002 and used available information to project expected system conditions in 2007. The report was substantially completed by September 2004, but for various reasons was not considered by commissioners until June.

The authors emphasize that the report must be read with an understanding of the assumptions used. The analysis began before Exelon Corp. subsidiary Commonwealth Edison Co., which serves Chicago and northern Illinois, joined the PJM Interconnection LLC and before the start of the Midwest ISO market in most of the remainder of Illinois in mid-2005, so it did not model the impact of ISO market oversight.

It further assumed market conditions in the absence of any regulatory oversight and without restrictions on generator bidding practices.

"The intent was to see if competition alone would be able to control prices," said co-author Richard Cirillo of Argonne National Laboratory.

Congestion and bidding behavior

The report found evidence of transmission congestion in areas of Illinois including the city of Chicago, areas north and west of Chicago to the Iowa border, "a broad area stretching southwest of Chicago to Peoria and Springfield," and isolated areas in the southern part of the state.

In addition, "Some transmission equipment was operated at its capacity limits for a significant number of hours in a year," the report said.

"The effects of transmission congestion were more prevalent during peak load periods," the report said. "Price variations across the state due to transmission congestion were as much as 24% during these peak load periods."

Transmission congestion provides opportunities for generators to manipulate the market and increase profits.

"Physically withholding multiple units that are strategically located in the transmission network, particularly during peak load conditions, can increase profitability," the report concluded. "This type of strategic physical withholding could even create conditions where some load cannot be met and could result in very steep price increases."

The report determined that three generators would have generation market power if they used this strategy: Exelon, which operates 10 nuclear reactors at five sites in northern Illinois; Midwest Generation LLC, a subsidiary of Edison International's competitive power business, Edison Mission Energy, which owns 5,900 MW of generating capacity in Illinois; and Ameren Corp., which has three utility subsidiaries in Illinois and about 4,600 MW of unregulated generating capacity, mostly in Illinois. Dynegy Inc., which has about 4,300 MW of generating capacity in Illinois, and Dominion Energy, a competitive power subsidiary of Dominion Resources Inc. that owns about 1,850 MW of generating capacity in Illinois, would not, the report noted.

Illinois market participants have criticized the report on two main points: the data used is outdated; and the impact of Midwest ISO and PJM market monitoring is not included.

Co-author Thomas Overbye, an engineering professor at the University of Illinois, pointed out that even though the data set used for modeling was several years old, it accurately predicted the physical state of the state's generation and transmission systems.

In response to criticisms that the analysis should have included a wider footprint beyond Illinois, he said he believed that modeling a larger market "would not have significantly changed the potential for market power caused by localized transmission system congestion."

"The intent of the study was to see if competition alone would be able to control prices," Cirillo emphasized. "The results demonstrate the importance of an ISO … to maintain rigorous oversight of the market's operation."

He pointed to recent PJM data showing generators bidding their capacity well above production costs and bidding their last increment of capacity at a very high price ("hockey stick" bidding).

In addition, he said that the differences in locational marginal prices across the PJM market and instances of very high LMPs reflect both transmission congestion and generator bidding strategy.

"[This] illustrates that even in a tightly monitored market … there are participants that will bid strategically," he noted. "Neither competitive forces nor market oversight and monitoring deterred this type of market activity."

The report, an appendix, comments and responses to the comments by the authors can be found at http://www.icc.illinois.gov/en/eclibrary.aspx?key=ecTrans.

COMPANIES REFERENCED IN THIS ARTICLE:

Commonwealth Edison Co.	
Ameren Corp.	AEE
Dominion Energy	
Dominion Resources Inc.	D
Dynegy Inc.	DYN
Edison International	EIX
Edison Mission Energy	
Exelon Corp.	EXC
Midwest Generation LLC	EIX.HR
Midwest ISO	
PJM Interconnection LLC	

Click to view the report.

E-mail this story.

Maine believes participation in New England markets must be on equitable basis

by Steve Muller

The Maine Public Utilities Commission kicked off its inquiry late in June into whether the state should remain in ISO New England Inc. or explore other alternatives, such as a stand-alone Maine RTO, an RTO with Maine and the Canadian Maritime Provinces, or an RTO encompassing Maine, New Hampshire and Vermont.

Maine has reassessed its participation in ISO New England several times in the past, most recently in 2003. The current initiative is driven by unhappiness in the state Legislature over recently implemented ISO New England policies on installed capacity and cost allocation for regional transmission upgrades.

Maine believes these two measures will cost its consumers more than $300 million over the next four years.

"Most of these costs are associated with reliability measures and investments in southern New England, for which Maine consumers will receive little, if any, benefit," Maine PUC Chairman Kurt Adams said in a press release issued in June after announcing the inquiry. "The Legislature has voiced serious concerns with the fairness of the regional regime."

Maine and the Canadian Maritimes have a very large role to play in resolving New England's electricity crisis, but this will only happen if the region adopts policies that encourage the development and transmission of electricity in an equitable fashion, Adams told SNL Energy July 11.

Maine and the Maritimes have untapped natural resources such as wind, biomass and hydropower to generate electricity, he said.

"But Maine and the Maritimes also share a resource that is the most scarce resource in the rest of the Northeast, and that is the siting resource," he continued. "We can site energy infrastructure in Maine and the Maritimes that the rest of the Northeast of the United States has struggled with."

He pointed out that Maine Gov. John Baldacci is the only governor in New England to support an LNG terminal in his state, and Maine has sited major natural gas infrastructure without any significant public opposition. The state has more than 1,000 MW of generation on the drawing board, in the permitting process or under construction today, he said, including the first significant ridgeline wind power project in New England.

"Maine's policy has been open to infrastructure development," Adams continued, "but the issue for us is, on what terms is that development going to be brought to market?"

He complained that under existing ISO New England rules, Maine consumers pay twice for the transmission upgrades necessary to deliver Maine generation resources to the rest of New England; they pay a share of the upgrade cost, and their electricity prices rise due to increased competition.

"Ironically, we are worse off for siting a lot of new generation than if we had done nothing," Adams said. "This is not sustainable. We will have to have a serious discussion about [this], whether or not Maine leaves the RTO."

Turning to the investigation process itself, Adams said the PUC's focus for the next six months will be cost-benefit analysis of the existing arrangements and for alternative arrangements.

Although the Legislature wants a preliminary report by Jan. 1, 2007, Adams said he expected the process to last several years.

He noted that Maine's participating utilities, Energy East Corp. subsidiary Central Maine Power Co. and Emera Inc. subsidiary Bangor Hydro-Electric Co., would have to obtain approval from FERC to withdraw from ISO New England. He also pointed out that the existing ISO New England transmission operation agreement expires in two or three years and that utility participation in an ISO or RTO is voluntary.

Others in New England watch Maine process

ISO New England is "looking at all the issues" and will attend the Maine PUC's technical conference July 21, ISO spokesman Ken McDonnell told SNL Energy, but he was not able to provide further details on the ISO's position.

Vermont Department of Public Service Commissioner David O'Brien said that at this point, he is just following the Maine process to see where it goes. He said it would be a "dramatic step" for Maine to leave ISO New England. His principal concern is that any decision by Maine not impact negatively on Vermont's electrical interconnections.

O'Brien said he understood the pressure the Maine PUC is under, but he also noted two important differences between Vermont and Maine: Vermont was not affected as severely by the installed capacity decision, and Vermont has not restructured its electric utility industry.

SNLEnergy ELECTRIC TRANSMISSION WEEK™ **The Energy Industry Delivered to You Weekly**

Published by: SNL Financial LC (ISSN 1541-7948) © 2006
Subscription Rate: 50 issues for $897
Michael Lustig, Editor E-mail: mlustig@snl.com Phone: 703.373.0156

Randy Rischard, Publisher, Energy Group • Michael Lustig, Managing Editor, Energy Group
Michael Chinn, President • Pat LaBua, Director, Subscriptions

Contact information:
Editorial: E-mail: energynews@snl.com Phone: 703.373.0150 Fax: 703.373.0159
Subscription Support: E-mail: subscriptions@snl.com Phone: 434.951.7749 Fax: 434.293.0407
Subscription Sales: E-mail: salesdept@snl.com Phone: 434.951.7797 Fax: 434.817.5330
Advertising: E-mail: sarmstrong@snl.com Phone: 434.951.7525 Fax: 434.817.5351

SNL Financial • One SNL Plaza PO Box 2124 Charlottesville, VA 22902 • Phone: (434) 977-1600 • Fax: (434) 293-0407
http://www.snl.com feedback@snl.com

Consulting firm ICF International performed a detailed cost-benefit analysis of the proposed GridFlorida RTO for the Florida Public Service Commission in 2005. ICF Vice President Kojo Ofori-Atta told SNL Energy the fixed costs of creating a stand-alone RTO are high and an RTO needs a "critical mass" of load to be cost-effective.

Regional reliability, however, should not be impacted by any Maine decision. The Northeast Power Coordinating Council is the regional electric reliability organization for New York, New England and eastern Canada. NPCC Director of Regulatory Affairs and Market Reliability Philip Fedora stressed that "everyone is bound to our criteria." Maine would need to remain in NPCC to trade with other NPCC members, he explained.

COMPANIES REFERENCED IN THIS ARTICLE:

ISO New England Inc.
Bangor Hydro-Electric Co.
Central Maine Power Co.
Emera Inc.
Energy East Corp.

EAS

✉ E-mail this story.

Canadian utilities ask NERC to clarify integration of standards across border

by Dave Todd

The Canadian Electricity Association is worried that as the North American Electric Reliability Council positions itself to transform into the North American electric reliability organization, there is apparently no official who will be specifically responsible for overseeing the implementation of mandatory reliability standards in Canada to mesh with U.S. rules.

In a letter July 7 to NERC President and CEO Richard Sergel, CEA President Hans Konow said his association, which represents the vast majority of electric power companies and related interests in Canada, is concerned that there is no provision for an officer to be mandated specifically to handle Canada-related issues and concerns about policy implementation in the United States.

"NERC has proposed the establishment of a Washington office and the addition of staff in Washington to focus on NERC issues in the United States," Konow said.

"However, NERC is an international body, and there are and will be issues arising within the relevant Canadian jurisdictions that will require NERC's attention. The designation of a person within NERC to be responsible for Canada-specific issue[s] will help to ensure the effectiveness of NERC as an international reliability organization," Konow said.

In a July 11 interview with SNL Energy, NERC Vice President and General Counsel David Cook said CEA's concerns will be taken into account as the steering group at NERC responsible for shaping the ERO takes shape.

Cook said Konow's observations are important ones in light of the challenges facing the new North American reliability organization as it assembles its initial 2007 business plan.

In the United States, FERC will be responsible for ensuring compliance with the mandatory reliability standards that are being developed by NERC and will be overseen by the ERO. There is no comparable governmental entity to FERC in Canada responsible for electric utility industry matters; each Canadian province and territory has jurisdiction over electricity matters. NERC has submitted the ERO application to the provinces of Alberta, British Columbia, Manitoba, Ontario, New Brunswick, Nova Scotia, Quebec and Saskatchewan, as well as Canada's National Energy Board.

Asked about the fact that Canada's biggest electric power utility, Hydro-Quebec, has pulled out of the CEA, Cook said this occurrence has had no effect on reliability.

"On the contrary, Hydro-Quebec's TransEnergie transmission division has been immensely active in supplying volunteers to serve on NERC committees," Cook said. "Their voices are very much present in our organization, and that doesn't depend on them being a member of CEA."

COMPANY REFERENCED IN THIS ARTICLE:

Hydro-Quebec

Click to view the letter.

✉ E-mail this story.

British Columbia accepts plan for Vancouver Island transmission reinforcement

by Dave Todd

British Columbia Transmission Corp. won the British Columbia Utilities Commission's permission on July 7 to build two new 230-kV lines connecting the British Columbia mainland to Vancouver Island. The proposed C$250 million project involves replacement of two deteriorating, 138-kV, alternating current circuits built in the late 1950s.

BCTC President Jane Peverett said that if the project passes a provincial governmental environmental assessment, as hoped for by the end of this year, construction of the new connections would likely start in early 2007, with completion expected by October 2008.

"Further delay in finding a solution for Vancouver Island customers is not an option that is in the public interest," a three-member BCUC panel led by Chairman Robert Hobbs ruled in issuing the decision.

Because of limited on-island generation capacity and a history in recent years of large projects failing to proceed, greater security of supply via power imports from the mainland has become an urgent priority, system planners maintain. About 70% of Vancouver Island's power is imported from the British Columbia mainland.

The utilities commission panel's ruling is a further blow to hopes by Sea Breeze Power Corp. of building a new high-voltage, direct current line underwater to the island, either from the mainland, or between Victoria, British Columbia, and Port Angeles, Wash., under the Juan de Fuca Strait. (The latter option has been proposed as a merchant transmission line.) Sea Breeze dropped its application to build a 550-MW direct current line to Vancouver Island on March 1, saying its application was not being treated fairly.

The commission panel said it rejected that point of view and that "it was clear" that Sea Breeze, prior to the hearings, had not considered "all of the issues" associated with its Juan de Fuca and Georgia Strait crossing proposals.

The total direct and indirect costs of those projects would be about C$149 million and C$126 million more, respectively, than BCTC's "more cost-effective" alternative, the BCUC panel said.

The provincial transco's plan is to replace one of two aging 138-kV connections between the mainland and eastern Vancouver Island with a new 41.6-mile, 230-kV line with a capacity of 600 MW. It also proposes to upgrade portions of the other existing 138-kV line to enable installation of a second 230 kV-line in the future.

COMPANY REFERENCED IN THIS ARTICLE:

British Columbia Transmission Corp.

✉ E-mail this story.

New York Regional Interconnect faces land acquisition hurdles

by Kelly Harrington

New York Regional Interconnect is assessing the impact actions taken by state and local lawmakers in June could have on plans to construct a 200-mile, high-voltage, direct-current transmission line, a spokesman said July 7.

Last month, the Legislature sent a bill prohibiting gas and electricity companies from using eminent domain to Gov. George Pataki, while Utica, N.Y., officials filed a lawsuit against a railroad that agreed to provide right of way for the line.

"We're disappointed with the legislation and we're looking at how it might impact us," NYRI spokesman Jonathan Pierce said.

The bill, S.8349a, cleared the Senate 45-15 and the Assembly 104-12. While the bill's language does not specifically mention NYRI, its sponsor, state Sen. John Bonacic, said it is aimed at the project. In a news release, Bonacic, who has formed a legal defense fund to fight the plan, said the project will hurt upstate New York residents.

Pataki spokesman Pete Constantakes said the governor has not received the legislation. Given the controversial nature of the proposed transmission line, Constantakes expects it to "be an issue" when the governor is given the bill.

He said New York City Mayor Michael Bloomberg has asked Pataki not to sign the bill. A spokesman from Bloomberg's office did not immediately return a request for comment.

Utica officials also took aim at the project, filing a lawsuit June 29 in New York State Supreme Court against the New York Susquehanna and Western Railway for what it believes is an unauthorized contract with NYRI. In a statement, Utica Mayor Timothy Julian said NYRI incorrectly claimed that its proposed line is within the railroad's right of way.

According to Julian, who led a walkout during a community meeting about the project, the railroad does not own the land. According to the city, public records indicate that the railroad deeded the land to the Oneida County Industrial Development Agency in 1982. The suit also named OCIDA, who the city said failed to stop the agreement. Further, records also show that a predecessor railroad obtained much of the property by condemnation and, according to state law, when a railroad obtains property by condemnation, it can only use it for railroad purposes, the city said.

"We believe we have a good agreement with the railroad, and we'll see how that plays out," Pierce said.

Opponents of the line, which will run from Marcy, N.Y., south of Utica, to New Windsor, N.Y., in Orange County, contend it will benefit downstate New York at the expense of upstate residents. NYRI, which in May filed for approval of the project from the state Public Service Commission, has said it will develop a benefit program for communities in the project's path.

✉ E-mail this story.

FERC, Kentucky affirm decisions on utilities' withdrawal from Midwest ISO

by Michael Lustig

FERC largely accepted the compliance filing of E.ON U.S., on behalf of its utility subsidiaries, Louisville Gas and Electric Co. and Kentucky Utilities Co., allowing the utilities to withdraw from the Midwest ISO.

In a related order, the commission rejected a request for rehearing on the withdrawal decision made by the Midwest ISO. FERC issued both orders on July 7.

On July 6, the Kentucky Public Service Commission issued an order declaring that it had jurisdiction to approve the transfer of control of LG&E's and KU's transmission assets from the Midwest ISO to the Southwest Power Pool, which will act as the "independent transmission organization," responsible for transmission scheduling, tariff administration and planning, and the Tennessee Valley Authority as reliability coordinator. The state commission had previously approved the utilities' proposal to leave the ISO.

The Kentucky PSC noted that TVA is already the reliability coordinator for Big Rivers Electric Corp. and East Kentucky Power Cooperative.

"Once TVA becomes the RC [for LG&E and KU], it will manage a reliability area that encompasses most of Kentucky," the PSC said. "TVA's expertise with the region generally is seen as a substantial benefit for Kentucky consumers."

In a number of cases, FERC's order on compliance requires adjustments to LG&E's and KU's open access transmission tariffs and other documents so that obligations and responsibilities are clear and conform to guidelines. FERC said, for example, that the utilities must specify how they will be factored into TVA's transmission loading relief procedures.

In addressing the Midwest ISO's request for rehearing of the commission's order allowing LG&E and KU to withdraw from the ISO, FERC rejected all of the ISO's arguments. (EC06-4, ER06-20)

COMPANIES REFERENCED IN THIS ARTICLE:

E.ON U.S.
Kentucky Utilities Co.
Louisville Gas and Electric Co.
Midwest ISO
Southwest Power Pool
Tennessee Valley Authority

Click to view the order on rehearing of 07/07/06.

✉ E-mail this story.

WPS raises market power concerns in GE proposal to acquire Wisconsin plant

by Kathleen Hart

Citing potential vertical market power concerns, Wisconsin Public Service Corp. on July 7 objected to an application filed by a General Electric Co. subsidiary to acquire a Wisconsin power plant currently leased by a Calpine Corp. subsidiary.

The plant is the Fox Energy Center, a 600-MW, gas-fired generator in eastern Wisconsin that went into service in 2005.

Fox Energy LLC, a wholly owned subsidiary of General Electric, owns the plant and leases it to Calpine Fox LLC, a subsidiary of Calpine, which operates the plant. The two parties submitted a joint application to FERC on June 15 for authorization to dispose of jurisdictional facilities and for expedited consideration. In the application, they said Fox Energy would purchase Calpine Fox's leasehold interest in the power plant and transfer operational control to Fox Energy.

The applicants asked the commission to provide for a 21-day notice period, to consider the application on an expedited basis, and to issue an order authorizing the proposed transaction by July 26.

"The application raises vertical market power concerns due to Fox Energy's affiliates' exercise of indirect control over a significant amount of generation in the electricity markets operated by the Midwest ISO," WPS said in a protest filed July 7. The utility asked FERC to find the application incomplete and to direct Fox Energy and Calpine Fox to file a vertical market power analysis under rule 33.4, a commission procedure.

WPS, a subsidiary of WPS Resources Corp., said that concerns also arise from the applicants' failure to request approval under Section 203 of the Federal Power Act to transfer Calpine Fox's rights to Fox Energy under a long-term contract dated July 19, 2004, between Fox Energy and WPS for the sale of capacity and energy from the Fox Energy Center to WPS. A tolling agreement is typically considered a FERC-jurisdictional facility, the utility noted.

WPS is asking the commission to direct the applicants to apply for Section 203 authorization for the transfer from Calpine Fox to Fox Energy of Calpine Fox's rights and obligations under the tolling agreement. Alternatively, the utility is asking that the application be set for hearing to investigate the competitive impacts and ratepayer effects resulting from the transaction.

In determining whether a proposed transfer of jurisdictional facilities is consistent with the public interest, FERC considers the effect on competition, rates and regulation and whether the transaction will result in cross-subsidization of non-utility affiliate companies or encumbrance of utilities for the benefit of associate companies.

"The applicants have not shown that the transaction will fail to increase Fox Energy's vertical market power," WPS said. Fox Energy is a subsidiary of General Electric Co., which is a significant owner of operating electric generation capacity under sale-leaseback arrangements with both non-affiliated entities and a significant provider of maintenance for electric generators, the filing noted.

"The Fox Project is actually owned by a subsidiary of GE Financial, and Calpine operates that plant under a sale-leaseback agreement," John Flumerfelt, Calpine's director of government and regulatory affairs, said on July 7.

"In its role as a producer of electric energy through power plants it owns and operates through affiliates and as a provider of services to both affiliated an unaffiliated operating electric generators, General Electric's vast scope and knowledge regarding technical details, maintenance schedules and management systems at competing generators is cause for considerable concern regarding potential anti-competitive inputs," the WPS comments said.

WPS noted that the commission's regulations, merger policy statement and Order No. 669A, issued under the Energy Policy Act of 2005 "consistently emphasize vertical market power concerns." The dominant position of General Electric in servicing and maintaining the fleet of turbines "gives it important control over upstream input and access to competitive information potentially useful to the creation of non-competitive prices in downstream electricity markets," the comments said.

WPS argued that FERC has previously concluded that in transactions "combining electric generation assets with inputs to generating power (e.g., natural gas transmission or fuel supply assets) competition can be harmed if a merger increases the merged firm's ability or incentive to exercise vertical market power in wholesale electricity markets." Inputs of concern are not limited to transmission or fuel supply and can include maintenance contracts or key manufacturing items, the utility added.

"The application is silent on this point, other than to offer the totally unsupported statement that the applicants 'do not own or control transmission or inputs to the production of electric energy in the MISO region,'" the WPS comments said.

To demonstrate that General Electric's dominant position in the areas of maintenance contracts for electric generators and turbine manufacture do not raise vertical competitive concerns, WPS contends that at a minimum, the applicants should be required to file a vertical competitive analysis under rule 33.4 explaining and analyzing the "extent of its market share in such relevant upstream products."

Noting that the scheduling for maintenance outages for any given generator is closely guarded information, WPS said that General Electric, by virtue of its service contracts, "may already be in possession of this competitively sensitive data. General Electric could possibly share such data with Fox Energy, thereby taking advantage of this position to exercise market power to the detriment of all wholesale buyers in the market, and, in turn, to the detriment of retail ratepayers."

If FERC approves the application, WPS contends that "General Electric could potentially manipulate the market by allowing its Fox Energy affiliate to reap inappropriate profits through its knowledge and involvement in the maintenance of competing generators in the region." There appears to be "no directly applicable structural protections in place to guard against the exercise of market manipulation," the comments added.

On July 6, American Transmission Co. LLC also filed a motion to intervene in the case. (EC06-133)

COMPANIES REFERENCED IN THIS ARTICLE:

Wisconsin Public Service Corp.
American Transmission Co. LLC
Calpine Corp. CPNLQ
General Electric Co.
Midwest ISO
WPS Resources Corp. WPS

✉ E-mail this story.

MidAmerican Energy completes 345-kV line in Iowa ahead of schedule

by Ryan Self

MidAmerican Energy Co. said July 6 that it has finished construction on a major transmission line more than two months ahead of schedule.

The utility said it energized a 124-mile, 345-kV transmission line running between its Council Bluffs power plant and a new electric substation in Grimes, Iowa, on June 28, more than two months before a planned September start date. For now, the additional transmission capacity will provide backup to the existing infrastructure to make sure company customers' needs are met during the high-demand summer months.

The line's ultimate purpose is to deliver the output of MidAmerican's 790-MW, coal-fired Council Bluffs Energy Center 4 when it goes online in the summer of 2007.

"Our customers expect reliable electric service and this new electric line helps us fulfill our obligation of meeting customers' energy needs," said MidAmerican Energy President Todd Raba.

Raba added that the new line will not impact MidAmerican's pledge to not raise customers' rates through at least 2010.

"The company's investment in new infrastructure will not impact our company's electric rates, which are lower today than they were 11 years ago," he said.

Construction of the new line began in early 2005 following Iowa Utilities Board approval of the project in December 2004.

Raba noted that the company reached voluntary easement agreements with 437 of the 438 homeowners that were required to complete the line.

MidAmerican Energy provides electricity service to 706,000 customers and natural gas service to 687,000 customers in Iowa, Illinois, Nebraska and South Dakota and is a subsidiary of MidAmerican Energy Holdings Co.

COMPANIES REFERENCED IN THIS ARTICLE:

MidAmerican Energy Co.

MidAmerican Energy Holdings Co.

✉ E-mail this story.

Trans Bay Cable project described as 'on track'

by Steve Muller

Developers of the Trans Bay Cable project, a proposed high-voltage, direct-current cable running 57 miles underwater between Pittsburg in Contra Costa County, Calif., and the city of San Francisco, said that no major issues were raised in public comments submitted in response to a draft environmental impact statement.

Ken Strelo of the city of Pittsburg's planning department told SNL Energy on July 10 that the next step in the Trans Bay Cable's review process is a presentation by the planning department at a joint workshop on July 17 for the Pittsburg City Council and Pittsburg Planning Commission.

The project remains "absolutely on track," Strelo said.

Australian investment bank Babcock & Brown LP is the project developer and will retain the transmission scheduling rights. Once completed, the cable, which will be able to deliver 400 MW into the constrained San Francisco load pocket, will be owned and operated by municipal utility Pittsburg Power Co. The city of Pittsburg is also responsible for the environmental review process.

The draft environmental impact report was released in late May for public comment. Public meetings on the DEIR were held in June in San Francisco and Pittsburg, and the deadline for public comment on the DEIR was July 10, extended from the original June 26 deadline.

COMPANY REFERENCED IN THIS ARTICLE:

Babcock & Brown LP

✉ E-mail this story.

Wyoming promoting transmission role *continued*

Following up on the summit, Wyoming Gov. Dave Freudenthal, who is vice chairman of the Western Governors' Association, is slated to deliver the keynote address at a regional conference this month in Denver that will result in action plans for increasing the use of clean energy resources through better use of the existing transmission system and expansion of the grid, according to a WGA announcement.

The WGA and the National Wind Coordinating Committee are cosponsoring the July 18–19 conference called "Leadership Forum: Implementing Transmission Recommendations in the West."

"Given that there is so much interest in accessing Wyoming's abundant natural resources and developing generation, it is critically important that all parties work together to coordinate these projects and that we utilize these corridors as efficiently as we can so we don't under develop Wyoming's potential by not putting in strong enough infrastructure," Waddington said. "We are only going to develop these projects once, so we need to size them in a way to accommodate all the needs expressed out there."

Five major transmission projects are under way to tap Wyoming's coal and wind resources. The authority is calling upon the U.S. Department of Energy to take these projects into full account when preparing its environmental impact statement on federal energy corridors.

The authority is continuing to lead the charge on the Rocky Mountain Area Transmission Study (RMATS), which was convened by the Wyoming and Utah governors and issued in a final report in September 2004. The five projects are in the RMATS study.

Progress on five projects detailed

The TOT-3 project from the Wyoming Powder River Basin to the Colorado Front Range includes the authority, private transmission developer Trans-Elect Inc. and the Western Area Power Administration as sponsors. TOT-3 is simply a Western Electricity Coordinating Council designation for upgrades needed on a constrained transmission area of five existing lines in southeastern Wyoming and the Front Range of Colorado. A solicitation of interest produced a robust response, Waddington said, and load-serving entities are proceeding to retain a consultant to do power flow and stability analyses on a number of build-out scenarios.

"We are looking at different sizes and routings for development of radial line and integrated line strategies," he said. "Our thinking is to proceed next year with an open season process to seek capacity commitments from developers and communities."

A second project is Wyoming-West, from the Wyoming portion of the Flaming Gorge into Utah with the authority, National Grid USA and WAPA as sponsors.

"Our focus there is to see if there are strategic opportunities on an incremental scale to enable generation development in southwest Wyoming to reach Salt Lake's Wasatch Front," Waddington said.

The sponsors are taking a look at upgrading two existing lines that run from southwest Wyoming straight south into Utah that are owned and operated by WAPA, he continued. "We started that review with a first order environmental analysis because of federal ownership of land and are now talking about taking the next step to initiate a formal process with federal agencies to do preliminary siting work," Waddington said.

A third project is the Bridger-Ben Lomand and Bridger-Miners project in Wyoming, sponsored by MidAmerican Energy Holdings Co. and its subsidiary, PacifiCorp. MidAmerican made a commitment in acquiring PacifiCorp to conduct a detailed study of the corridor from southwest Wyoming west into Utah. Jim Bridger is PacifiCorp's coal-fired power plant in Wyoming. Two lines allow generation from Bridger west to the Ben Lomand substation north of Salt Lake City and from Bridger east to the Miners substation area in south central Wyoming.

Fourth, Arizona Public Service Co., a subsidiary of Pinnacle West Capital Corp., is sponsoring a feasibility study of the proposed TransWest Express project from Wyoming to Arizona. The study is looking at two 500-kV alternating current circuits or one direct current line with a 3,000-MW capacity target. The path would take power from Powder River Basin to Phoenix. The study is scheduled to conclude by the end of this year.

"It is feasible. There is enough growth in Arizona and other areas of the desert Southwest to support a project of that size and we expect that next year it will progress into a siting and permitting role," Waddington said.

The most ambitious proposal is the Frontier Line, spanning Wyoming, Utah, Nevada and California; the governors of those states and seven major utilities are the sponsors. The project might end up being two corridors originating in southwestern Wyoming and forking at Salt Lake City, with one 774-mile line to Sacramento, Calif., and another 761-mile line to Los Angeles.

California's big three investor-owned utilities, along with Nevada Power Co., Sierra Pacific Power Co., PacifiCorp and MidAmerican are preparing a feasibility study, which will take a year to complete. "A kick-off meeting for a public process around that analytical work is August 8 in Las Vegas," Waddington said. The Nevada utilities are subsidiaries of Sierra Pacific Resources.

The seven utility companies in the transmission "footprint" of the Frontier Line will look at what routings make sense from a technical standpoint. "The underlying mission is to develop a substantial energy highway to move electrons in a way to benefit the four sponsoring states," Waddington said.

At their annual meeting in Sedona, Ariz., in June, the governors adopted a broad-based set of recommendations for dramatically increasing clean and diversified energy resources and ensuring the region has adequate transmission to deliver those resources to customers. "This is the first major conference aimed at implementing those recommendations," the WGA said in announcing the July meeting.

"Recent studies show significant economic, hard dollar benefits to both supplier and buyer states from diversifying electric generation

resources and increasing efficiency in the West," Freudenthal said in a prepared statement. "This means we could lower costs for consumer states and increase revenues for producer states across the region."

Freudenthal was also quoted as saying that every energy diversity scenario for the West requires more robust transmission systems to move the resources from places like Wyoming, where these resources are abundant, to loads in cities where they are in demand.

COMPANIES REFERENCED IN THIS ARTICLE:

Western Area Power Administration
Arizona Public Service Co.
MidAmerican Energy Holdings Co.
National Grid USA
Nevada Power Co.
PacifiCorp
Pinnacle West Capital Corp. PNW
Sierra Pacific Power Co.
Sierra Pacific Resources SRP
Trans-Elect Inc.

✉ E-mail this story.

In-city capacity protects NYC *continued*

underground cable, which runs from the Sprainbrook substation in Westchester County to the West 49th Street substation in Manhattan. Con Edison does not yet know what caused the two separate line failures.

"They were unrelated. Obviously, we'll find out what the cause was. Our focus now is on making the repairs," Con Edison spokesman Mike Clendenin said on July 13. Con Edison is a subsidiary of Consolidated Edison Inc.

"There's no customer impact on this. We've got enough power for even if we reach our peak forecasted load for any summer day this year, even with the loss of another major facility — a power plant or transmission line," Clendenin said. The forecast peak for Con Edison's service territory in New York City and Westchester County combined is 13,400 MW, he added. The utility serves about 3 million electricity customers.

To drive the statewide and city loads to record-breaking proportions, the temperature has to be "95-plus degrees with high humidity for a series of days on the weekdays. You have to have extreme weather conditions, one, two, three days in a row with a heat build up," Klapp said. Statewide, the New York ISO always wants to have 1,800 MW of reserves, even on hot days, he added.

The Sprainbrook-West 49th Street line is due back in service on July 26, while the Dunwoodie-Rainey line is due back in service on Aug. 14. Clendenin said that those are target dates, which might improve as repair work progresses.

If the situation reaches a critical state, demand response programs would kick in. Klapp said that about 1,500 MW are signed up for demand response programs within the state of New York. In addition, the ISO would try to buy reserve power from neighboring systems and make public appeals over television and radio for people to cut back on power use during the late afternoon, he said.

New York ISO President and CEO Mark Lynch on July 12 told the House Committee on Government Reform Subcommittee on Energy and Resources that the recent addition of 1,000 MW of new generating capacity in New York City "has helped to alleviate reliability and pricing concerns, though high fuel costs and high demand could still yield relatively high energy prices there this summer."

Lynch said that the transmission line outages have added to the challenges of dealing with summer demand in New York City. The city "continues to meet all applicable reliability criteria," he said. "However, the possibility for voltage reductions or controlled, localized load shedding remains somewhat elevated under extreme weather or the loss of additional facilities."

FERC Chairman Joseph Kelliher told the congressional oversight committee that the failure of two major transmission lines into New York City from upstate New York will test the city and Long Island during any periods of sustained hot weather.

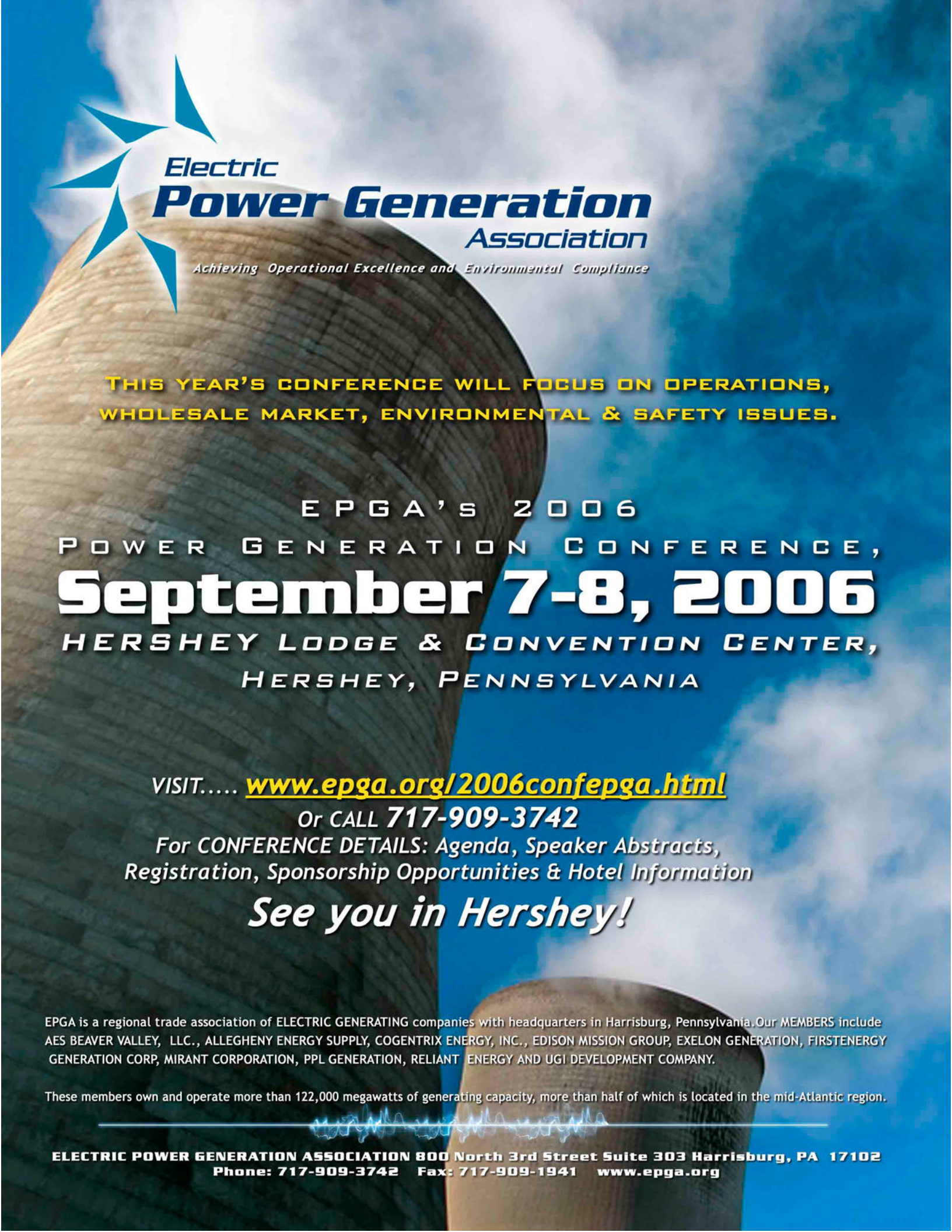
The FERC Division of Reliability is in "close daily contact with the ISO and monitoring the situation on a regular ongoing basis," FERC spokesman Bryan Lee said on July 13. "The ISO has been very cooperative in keeping us informed in the situation," he added.

FERC declined, as a matter of policy, to speculate one way or another on whether this would pose a reliability violation once the new mandatory electric reliability standards are in force, as planned, in the summer of 2007.

COMPANIES REFERENCED IN THIS ARTICLE:

Consolidated Edison Co. of New York Inc.
Consolidated Edison Inc. ED
New York ISO

✉ E-mail this story.


Electric
Power Generation
Association
Achieving Operational Excellence and Environmental Compliance
THIS YEAR'S CONFERENCE WILL FOCUS ON OPERATIONS,
WHOLESALE MARKET, ENVIRONMENTAL & SAFETY ISSUES.
EPGA's 2006
POWER GENERATION CONFERENCE,
September 7-8, 2006
HERSHEY LODGE & CONVENTION CENTER,
HERSHEY, PENNSYLVANIA
VISIT..... www.epga.org/2006confepga.html
Or CALL 717-909-3742
For CONFERENCE DETAILS: Agenda, Speaker Abstracts,
Registration, Sponsorship Opportunities & Hotel Information
See you in Hershey!
EPGA is a regional trade association of ELECTRIC GENERATING companies with headquarters in Harrisburg, Pennsylvania.Our MEMBERS include AES BEAVER VALLEY, LLC., ALLEGHENY ENERGY SUPPLY, COGENTRIX ENERGY, INC., EDISON MISSION GROUP, EXELON GENERATION, FIRSTENERGY GENERATION CORP, MIRANT CORPORATION, PPL GENERATION, RELIANT ENERGY AND UGI DEVELOPMENT COMPANY.
These members own and operate more than 122,000 megawatts of generating capacity, more than half of which is located in the mid-Atlantic region.
ELECTRIC POWER GENERATION ASSOCIATION 800 North 3rd Street Suite 303 Harrisburg, PA 17102
Phone: 717-909-3742 Fax: 717-909-1941 www.epga.org